FACT SHEET

Medicare Disproportionate Share Hospital

THE MEDICARE DISPROPORTIONATE SHARE HOSPITAL (DSH) adjustment provision under *Section 1886(d)(5)(F) of the Social Security Act (the Act) was enacted by Section 9105 of the Consolidated Omnibus Budget Reconciliation Act of 1985 and became effective for discharges occurring on or after May 1, 1986.*

Methods to Qualify for Medicare Disproportionate Share Hospital Adjustment

A hospital can qualify for the Medicare DSH adjustment by using one of the following methods:

- Primary Method

  The primary method is based on a complex statutory formula that results in the Medicare DSH patient percentage, which is equal to the sum of the percentage of Medicare inpatient days attributable to patients entitled to both Medicare Part A and Supplemental Security Income (SSI) and the percentage of total inpatient days attributable to patients eligible for Medicaid but not eligible for Medicare Part A.

- Alternate Special Exemption Method

  The alternate special exception method is for urban hospitals with more than 100 beds that can demonstrate that more than 30 percent of their total net inpatient care revenues come from State and local government sources for indigent care (other than Medicare or Medicaid).

MEDICARE DISPROPORTIONATE SHARE HOSPITAL PATIENT PERCENTAGE FORMULA

$$\text{Disproportionate Share Patient Percentage} = \frac{\text{Medicare SSI Days}}{\text{Total Medicare Days}} + \frac{\text{Medicaid, Non-Medicare Days}}{\text{Total Patient Days}}$$

Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and Deficit Reduction Act of 2005

Section 402 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 states that effective for discharges occurring on or after April 1, 2004, the Medicare DSH payment adjustment for rural hospitals with fewer than 500 beds and urban hospitals with fewer than 100 beds has been increased. The cap on the adjustment for these hospitals will be 12 percent, except for hospitals classified as Rural Referral Centers (RRC). Per section 5002 of the Deficit Reduction Act of 2005, as of October 1, 2006 Medicare-Dependent Hospitals (MDH) will also be exempt from the one percent cap. The formulas to establish a hospital's Medicare DSH payment adjustment are based on the following:

- Hospital's location;
- Number of beds; and
- Status as a RRC or MDH.

Number of Beds in Hospital Determination

The chart below shows, for Medicare DSH determination purposes, how to determine the number of beds in a hospital:

MEDICARE DISPROPORTIONATE SHARE HOSPITAL NUMBER OF BEDS FORMULA

Number of inpatient care bed days attributable to units or wards generally payable under the Inpatient Prospective Payment System excluding beds otherwise countable used for outpatient observation, skilled nursing swing-bed, or ancillary labor/delivery services.

Number of days in the cost reporting period

Medicare Disproportionate Share Hospital Payment Adjustment Formulas

Under Section 1886(d)(5)(F) of the Act, Medicare makes additional Medicare DSH payments to acute hospitals that serve a large number of low-income Medicare and Medicaid patients as part of its Inpatient Prospective Payment System (IPPS). The Medicare DSH patient percentage and adjustment formulas are not applicable to Pickle Hospitals, as defined under Section 1886(d)(5)(F)(i)(II) of the Act. All IPPS hospitals are eligible to receive Medicare DSH payments when their DSH patient percentage meets or exceeds 15 percent.

The chart on page 3 depicts the Medicare DSH payment adjustment formulas.

Medicare Disproportionate Share Hospital

MEDICARE DISPROPORTIONATE SHARE HOSPITAL PAYMENT ADJUSTMENT FORMULAS

Status/Location Number of Beds	Threshold	Adjustment Formula
URBAN HOSPITALS 0 - 99 Beds	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)] **Not to Exceed 12%**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **Not to Exceed 12%**
100 + Beds	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)] **No Cap**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **No Cap**
RURAL REFERRAL CENTERS	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)] **No Cap**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **No Cap**
MEDICARE-DEPENDENT HOSPITALS (as of October 1, 2006)	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)] **No Cap**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **No Cap**
OTHER RURAL HOSPITALS 0 - 499 Beds	>=15%, <20.2%	2.5% + [.65 x (DSH pct – 15%)] **Not to Exceed 12%**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **Not to Exceed 12%**
500 + Beds	>=15%, <20.2 %	2.5% + [.65 x (DSH pct – 15%)] **No Cap**
	>=20.2%	5.88% + [.825 x (DSH pct – 20.2%)] **No Cap**

Inpatient care bed days available should be the same as Indirect Medical Education bed days.

Available beds may not match the number of licensed beds.

Medicare Disproportionate Share Hospital

Below is an example of the Medicare DSH patient percentage and adjustment calculations:

Hospital A has 62 beds and is located in an urban area. In fiscal year 2003, it had 5,000 total inpatient days, 1,000 Medicaid/non-Medicare days, 2,000 Medicare Part A days, and 300 Medicare Part A/SSI days. Hospital A has a Medicare DSH patient percentage of 35 percent.

MEDICARE DISPROPORTIONATE SHARE HOSPITAL NUMBER OF BEDS FORMULA

$$\text{Disproportionate Share Patient Percentage} = \frac{300 \text{ Medicare SSI Days}}{2,000 \text{ Total Medicare Days}} + \frac{1,000 \text{ Medicaid, Non-Medicare Days}}{5,000 \text{ Total Patient Days}} = .35$$

Because Hospital A is located in an urban area, has less than 100 beds, and has a DSH patient percentage of more than 20.2%, the formula for determining the Medicare DSH adjustment is: 5.88% + [.825 x (DSH % - 20.2%)]. Urban hospitals with less than 100 beds are subject to a maximum DSH adjustment of 12%.

5.88% + [.825 x (35% - 20.2%)]

5.88% + 12.21% = 18.09%

Hospital A's Medicare DSH adjustment is 12%.

To find additional information about Medicare DSHs, see Chapter 3 of the *Medicare Claims Processing Manual* (Pub.100-4) at **www.cms.hhs.gov/Manuals/IOM/ list.asp#TopofPage** on the CMS website.

HELPFUL RURAL HEALTH WEBSITES

CENTERS FOR MEDICARE & MEDICAID SERVICES' WEBSITES

CMS Contact Information Directory
www.cms.hhs.gov/apps/contacts/

CMS Forms
www.cms.hhs.gov/CMSForms/CMSForms/list.asp#TopOfPage

CMS Mailing Lists
www.cms.hhs.gov/apps/mailinglists/

Critical Access Hospital Provider Center
www.cms.hhs.gov/center/cah.asp

Federally Qualified Health Centers Provider Center
www.cms.hhs.gov/center/fqhc.asp

Hospital Provider Center
www.cms.hhs.gov/center/hospital.asp

HPSA/PSA (Physician Bonuses)
www.cms.hhs.gov/HPSAPSAPhysicianBonuses/

Internet-Only Manuals
www.cms.hhs.gov/Manuals/IOM/list.asp#TopOfPage

MLN Matters Articles
www.cms.hhs.gov/MLNMattersArticles/

Medicare Learning Network
www.cms.hhs.gov/MLNGenInfo/

Medicare Modernization Update
www.cms.hhs.gov/MMAUpdate/

Physician's Resource Partner Center
www.cms.hhs.gov/center/physician.asp

Regulations & Guidance
www.cms.hhs.gov/home/regsguidance.asp

Rural Health Clinic Provider Center
www.cms.hhs.gov/center/rural.asp

OTHER ORGANIZATIONS' WEBSITES

Administration on Aging
www.aoa.gov

American Hospital Association Section for Small or Rural Hospitals
www.aha.org/aha/key_issues/rural/index.html

Health Resources and Services Administration
www.hrsa.gov

National Association of Community Health Centers
www.nachc.org

National Association of Rural Health Clinics
www.narhc.org

National Rural Health Association
www.nrharural.org

Rural Assistance Center
www.raconline.org

Medicare Disproportionate Share Hospital